

## Message Text

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10

ACTION NEA-09

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-03 H-02 INR-07 L-02

NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06 AID-05

OMB-01 CIEP-01 TRSE-00 EB-07 /068 W

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R 181513Z MAR 75

FM AMEMBASSY CAIRO

TO SECSTATE WASHDC 2805

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FROM MAESTRONE

EO 11652: NA

TAGS: EGEN, EG

SUBJECT: ECONOMIC AND DEVELOPMENT CONCERNS

1. DESPITE PRIMACY OF POLITICAL ACTIVITY AT ASWAN, GOE CONTINUES TO DEVOTE CONSIDERABLE ATTENTION TO BOTH SHORT AND LONG TERM PROBLEMS FACING THE COUNTRY. PRESS INDICATES NUMBERS OF HIGH-LEVEL MEETINGS ARE BEING HELD, INCLUDING SOME AT ASWAN WITH PRES. SADAT, FOR CONSIDERATION OF SUCH MATTERS AS:CAIRO POPULATION PROBLEM, "OPEN DOOR" ECONOMIC POLICY AND GOVERNMENT EMPLOYEE WAGES.

2. POPULATION PROBLEM. GROWTH OF POPULATION IN GREATER CAIRO AREA IN RECENT YEARS (ESTIMATES RANGE FROM 6 TO 8 MILLION PEOPLE NOW IN CITY) HAS SEVERELY OVERLOADED FACILITIES AND PUBLIC SERVICES, PRODUCING MANY OF PROBLEMS WHICH HAVE PLAGUED REGIME: WATER SUPPLY, TRANSPORTATION, REFUSE COLLECTION, ETC. THREE-DAY CONFERENCE TO DISCUSS OVERALL SITUATION BEGAN ON MARCH 16, AND HAS BEEN ADDRESSED BY DEPUTY PM AND MININTERIOR MAMDUH SALEM AND OTHER OFFICIALS. GENERAL FOCUS OF PROPOSALS THUS FAR NOTED IS MEANS FOR SLOWING IMMIGRATION INTO CAPTIAL, WHICH IS SUPPOSEDLY RESPONSIBLE FOR 35 PERCENT OF GROWTH OF CITY, REMAINING 65 PERCENT RESULTING FROM POPULATION INCREASE. OPTIMISTIC  
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PROJECTIONS PUT POPULATION OF CITY AT 20 MILLION IN 1980 AT PRESENT

RATES, SAID SALEM, AND FIVE YEAR PLAN WILL BE DESIGNED IN PART TO CREATE WORK AND EDUCATIONAL OPPORTUNITIES THROUGHOUT EGYPT, LESSENING DESIRE TO MOVE TO CAIRO. ADDITIONAL PROPOSALS CONCERN SHORT-TERM STEPS SUCH AS LIMITATIONS ON MIGRATION, WORK-PERMIT SYSTEMS, AS WELL AS LONG-RANGE FAMILY PLANNING MEASURES.

3. "OPEN DOOR" ECONOMIC POLICY. PM HEGAZY AND MINECON COOP AMIN WENT TO ASWAN TO TALK WITH SADAT MARCH 15 ON SUBJECT OF IMPLEMENTING OPEN DOOR AND EXECUTING PROVISIONS OF VARIOUS ECONOMIC AGREEMENTS THAT HAVE BEEN CONCLUDED. HEGAZY ANNOUNCED THAT NUMBER OF IMPORTANT STEPS WOULD SOON BE TAKEN IN THIS REGARD, AND, ON HIS RETURN TO CAIRO, CHAIRED MEETING OF HIGHER COMMITTEE FOR POLITICAL AND ECONOMIC PLANNING COVERING SAME SUBJECTS. STATEMENTS ISSUED AT CLOSE OF SESSION DO NOT REVEAL ANY NEW DEPARTURES, OTHER THAN INCREASED EFFORTS TO ENCOURAGE AND FACILITATE INVESTMENTS AND TECHNICAL COOPERATION, BUT MAKE IT PLAIN THAT GOE STILL HAS ATTRACTING ARAB AND FOREIGN CAPITAL AT TOP OF PRIORITY LIST.

4. CIVIL SERVICE EMPLOYMENT. PEOPLE'S ASSEMBLY HAS BEEN CONSIDERING A BILL TO RAISE WAGES FOR GOVERNMENTAL EMPLOYEES AND PROVIDE FOR IMPROVED PROCEDURES CONVERING IN-GRADE AND MERITORIOUS SALARY INCREASES. ASSEMBLY WANTS PUBLIC SECTOR EMPLOYEES INCLUDED IN PROGRAM, BUT GOE APPARENTLY IS OF OPINION THAT SINCE WORKERS PARTICIPATE IN PROFITS OF COMPANIES, BUILT-IN INCENTIVE ALREADY EXISTS FRO THEM BUT IS ABSENT IN CASE OF CIVIL SERVICE EMPLOYEES. ISSUE HAS BEEN HOTLY DEBATED IN RECENT DAYS. PURPOSE OF PROPOSALS IS TO COVER INCREASED LIVING COSTS AND COMPENSATE FOR STAGNATION OF SALARY LEVELS OF PAST FEW YEARS. INTERIM PLAN CALLED FOR ADDITIONAL EXPENDITURES FOR WAGES, WHICH IS EVIDENTLY GENESIS FOR CURRENT DISCUSSIONS.

5. COMMENT: OVERALL IMPORTANCE OF SECOND STAGE NEGOTIATIONS HAS NOT BEEN PERMITTED TO TERMINATE OR POSTPONE OTHER WORK IN WHICH GOE IS ENGAGED. SADAT HAS INDICATED THAT HE HAS ATTENTION TO SPARE FOR WIDE RANGE OF MATTERS NOT DIRECTLY RELATED TO SINAI WITHDRAWAL AND GOVERNMENT MACHINERY HAS AT LEASE PARTLY RESPONDED. WHILE POPULATION AND WAGE QUESTIONS ARE AMENABLE TO SOME FORM OF CONTROL BY EGYPTIANS, INVESTMENT MATTERS ARE NOT. PROGRESS LIMITED OFFICIAL USE

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AT ASWAN MAY HAVE A SIGNIFICANT BEARING ON THE SUBJECT, HOWEVER, BY REMOVING ONE OF CAUSES OF HESITATION ON PART OF SOME POTENTIAL INVESTORS.  
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